

**ALLIS TOWNSHIP
PRESQUE ISLE COUNTY, MICHIGAN**

**Financial Statements
For the Fiscal Year Ended March 31, 2005**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name ALLIS TOWNSHIP	County PRESQUE ISLE
Audit Date 3/31/05	Opinion Date 8/2/05	Date Accountant Report Submitted to State: 9/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

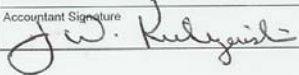
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) J.W. KIELISZEWSKI, CPA, PC			
Street Address 476 NORTH THIRD STREET		City ROGERS CITY	State MI
Accountant Signature 		ZIP 49779	Date 9/16/05

ALLIS TOWNSHIP
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INDEPENDENT AUDITOR'S REPORT

Township Board
Allis Township
Presque Isle County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of ***Allis Township, Presque Isle County, Michigan*** (the "Township"), as of and for the year ended March 31, 2005, which collectively comprise the Township's basis financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for opinion.

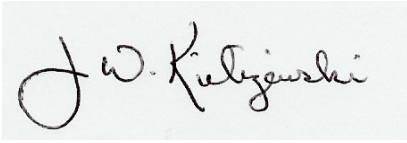
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of ***Allis Township***, as of March 31, 2005, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

Allis Township
Independent Auditor's Report
(Continued)

supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, reading "J.W. Kieliszewski". The signature is written in a cursive style with a large, looped initial "J".

J.W. Kieliszewski, CPA
August 2, 2005

ALLIS TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Assets at March 31, 2005 totaled \$357,669 for governmental activities. Of the total, \$57,819 represents capital assets, net of depreciation.

Revenues derived from governmental activities were \$132,904 (\$34,194 from program revenues and \$98,710 from general revenues). Overall expenditures for the Township's governmental activities were \$64,621.

The Township has no outstanding debt. The Township purchased capital assets in the approximate amount of \$6,570 during the fiscal year. Capital asset and debt activities are addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) Management's Discussion and Analysis (MD&A), (2) the basic financial statements, and (3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year ended March 31, 2005.

The remaining statements are fund financial statements, which focus on the individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenditures, regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, additional factors such as tax base changes, facility conditions, and personnel changes may be considered.

Most of the activities of the Township are reported as governmental activities. These would include the operations recorded in the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains two individual governmental funds: General Fund and Liquor Fund, which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals or organizations to which the funds belong. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

FUND ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets

The Township's governmental activities net assets increased approximately \$34,090 during the year, to total \$357,666.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Activities

The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, tax collection, ambulance service and fire protection.

Capital Asset Administration

At March 31, 2005, the Township had \$148,061 in capital assets, including the town hall, land, computers and other office equipment.

CONTACTING TOWNSHIP MANAGEMENT

The financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact the Township Clerk at (989) 733-2036.

ALLIS TOWNSHIP
STATEMENT OF NET ASSETS
March 31, 2005

	Governmental <u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 241,191
Investments	58,659
Capital assets	148,061
Accumulated depreciaton	<u>(90,242)</u>
Total Assets	<u>\$ 357,669</u>
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities	
Accounts payable	\$ 3
Net Assets	
Invested in capital assets	<u>57,819</u>
Unrestricted	<u>299,847</u>
Total Net Assets	<u>357,666</u>
Total Liabilities and Net Assets	<u>\$ 357,669</u>

The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended March 31, 2005

		Net (Expense) Revenue and Changes in Net Assets Primary Government	
		Program Revenues	
<u>Functions / Programs</u>	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>TOTAL</u>
Primary government			
Governmental activities			
General government	\$ 57,095	\$ 34,194	\$ (22,901)
Public safety	27,192	-	(27,192)
Public works	<u>14,528</u>	<u>-</u>	<u>(14,528)</u>
Total governmental activities	<u>98,815</u>	<u>34,194</u>	<u>(64,621)</u>
General revenues			
			93,511
			1,011
			<u>4,188</u>
			<u>98,710</u>
			<u>34,089</u>
			<u>323,577</u>
			<u>\$ 357,666</u>

The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP

BALANCE SHEET – GOVERNMENTAL FUNDS

March 31, 2005

		Total Governmental Funds
<u>ASSETS</u>	<u>General</u>	
Cash and cash equivalents	\$241,191	\$ 241,191
Investments	<u>58,659</u>	<u>58,659</u>
Total Assets	<u><u>\$299,850</u></u>	<u><u>\$ 299,850</u></u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities		
Accounts payable	\$ 3	\$ 3
Fund Balances		
Unreserved, undesignated	<u>299,847</u>	<u>299,847</u>
Total Liabilities and Fund Balances	<u><u>\$299,850</u></u>	<u><u>\$ 299,850</u></u>

**Reconciliation of fund balances on the balance
sheets for governmental activities to the
statement of net assets**

Fund Balances - Total Governmental Funds	\$ 299,847
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Amounts reported for governmental activities
in the statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and, therefore,
are not reported in the funds.

Add: capital assets	148,061
Subtract: accumulated depreciation	<u>(90,242)</u>

Net Assets of Governmental Activities	<u><u>\$ 357,666</u></u>
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The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES**

**GOVERNMENTAL FUNDS
For the Fiscal Year Ended March 31, 2005**

	General	Total
	Fund	Governmental
<u>REVENUES</u>		<u>Funds</u>
State shared revenues	\$ 93,511	\$ 93,511
Charges for services-sales	34,194	34,194
Interest	1,011	1,011
Other	<u>4,188</u>	<u>4,188</u>
Total Revenues	<u>132,904</u>	<u>132,904</u>
<u>EXPENDITURES</u>		
Legislative	26,060	26,060
General government	49,361	49,361
Public safety	<u>27,192</u>	<u>27,192</u>
Total Expenditures	<u>102,613</u>	<u>102,613</u>
Revenues Over (Under) Expenditures	30,291	30,291
Fund Balances, beginning of year	<u>269,556</u>	<u>269,556</u>
Fund Balances, end of year	<u><u>\$299,847</u></u>	<u><u>\$ 299,847</u></u>

The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended March 31, 2005

**Reconciliation of statement of revenues, expenditures and
changes in fund balances of governmental funds to statement
of activities**

Net Change in Fund Balances - Total Governmental Funds	\$ 30,291
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, those costs are allocated over their useful lives as
annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during current year	6,570
Subtract: depreciation expense	<u>(2,772)</u>

Changes in Net Assets of Governmental Activities	<u><u>\$ 34,089</u></u>
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The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
March 31, 2005

ASSETS

Cash	\$ 89
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LIABILITIES

Due to others	<u>89</u>
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NET ASSETS

Fiduciary Net Assets	<u>\$ -</u>
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The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND

For the Fiscal Year Ended March 31, 2005

ADDITIONS

Property tax collections for other governmental units	\$ 508,105
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DEDUCTIONS

Property tax distributions to other governmental units	<u>508,105</u>
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Change in net assets	-
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Fiduciary net assets, beginning of year	<u>89</u>
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Fiduciary net assets, end of year	<u><u>\$ 89</u></u>
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The accompanying notes are an integral part of these financial statements.

ALLIS TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Allis Township, Presque Isle County, Michigan (the “Township”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

On April 1, 2004, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. Under the provisions of GASB Statements Nos. 34 and 38, the focus of the Township’s financial statements has shifted from a fund focus to a government-wide focus.

THE REPORTING ENTITY

The Township was organized in 1877, and covers an area of approximately 72 square miles. The Township operates under an elected Board comprised of a Supervisor, Treasurer, Clerk and two Trustees, and provides services to its approximately 700 full-time residents.

In accordance with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, the financial statements of the reporting entity include those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit’s general-purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit’s elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The Township has determined that no entities should be consolidated into its general-purpose financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental

Allis Township

Notes to Financial Statements

(Continued)

activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Major funds are generally those that represent ten percent (10%) or more of the respective fund type assets, liabilities, revenues or expenditures. The Township considers all funds to be major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of

the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

The Township reports the following major governmental fund:

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

The Township reports the following fiduciary fund:

Trust and Agency Fund

The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

ASSETS, LIABILITY AND NET ASSETS OR EQUITY

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

Investments

Investments are stated at cost, which approximates market, and consist of certificates of deposit with maturity values of three months or longer.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of \$100 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Expenditures for maintenance and repair are charged to current expenditures as incurred. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15-40 years
Equipment	5 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures. The Township has no long-term obligations as of March 31, 2005.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent that portion of fund equity for which the Township has made tentative management plans that are subject to change. Undesignated fund balance indicates that portion of fund equity which is available for budgeting in future periods.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data for the prior year is not included in the Township's financial statements.

ACCOUNTING CHANGE

In June 1999, the GASB unanimously approved Statement No. 34, previously referenced in these Notes to Financial Statements. Effective April 1, 2004, the Township implemented the provisions of GASB 34. Changes to the Township's financial statements as a result of GASB 34 are as follows:

- A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations.

- Government-wide financial statements (Statement of Net Assets and Statements of Activities) prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements with a focus on major funds.
- Capital assets in the governmental activities column of the Statement of Net Assets include assets previously reported in the General Fixed Asset Account Group.
- Liabilities in the governmental column of the Statement of Net Assets include bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Budgets are adopted by Township officials in compliance with P.A. 621 of 1978 (the Uniform Budgetary Act) for the General and Special Revenue Funds. The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year, commencing on April 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. All appropriations lapse at year-end.

Budgets are to be prepared on the same basis of accounting as the financial statements.

Excess of Expenditures Over Appropriations in Budgeted Funds

P.A. 621 of 1978, Section 18 (1), as amended (MCL 141.421 et seq.) provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the governmental funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2005, the Township incurred expenditures, which exceeded the amount appropriated, as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<u>EXPENDITURES</u>			
General government			
Supervisor	\$ 4,300	\$ 5,278	\$ (978)
Assessor	6,615	7,237	(622)
Clerk	5,900	6,141	(241)
Township Hall	6,970	15,515	(8,545)
Public Safety			
Ambulance	10,510	11,640	(1,130)

A more detailed description of these variances is found in the Required Supplemental Information section of these financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

The caption on the combined balance sheet relating to cash and cash equivalents and investments of \$299,850 represents deposits in one financial institution located in Presque Isle County, Michigan in varying amounts, as follows:

Cash and Cash Equivalents	\$241,191
Investments	<u>58,659</u>
Total	<u>\$299,850</u>

Investments are categorized into three categories of credit risk:

- Category 1 – Insured or registered, or securities held by the Township or its agent in the Township's name;
- Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and
- Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year end the carrying amount of the Township's deposits were classified as to risk as follows:

	Carrying <u>Amount</u>	Bank <u>Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured-uncollateralize	<u>199,850</u>	<u>201,247</u>
Total	<u>\$299,850</u>	<u>\$301,247</u>

NOTE 4 – PROPERTY TAXES

The Township did not appropriate a tax levy for the fiscal year ended March 31, 2005.

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the governmental activities for the current fiscal year follows:

	Balance <u>1-Apr-04</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>31-Mar-05</u>
Not being depreciated:				
Land and land improvements	\$ 29,576	\$ -	\$ -	\$ 29,576
Being depreciated:				
Building and building improvements	80,509	6,570	-	87,079
Equipment	<u>31,406</u>	<u>-</u>	<u>-</u>	<u>31,406</u>
Subtotal	141,491	6,570	-	148,061
Less: accumulated depreciation	<u>(87,470)</u>	<u>(2,772)</u>	<u>-</u>	<u>(90,242)</u>
Total	<u>\$ 54,021</u>	<u>\$ 3,798</u>	<u>\$ -</u>	<u>\$ 57,819</u>

Depreciation was charged to the Township's functions as follows:

General government	<u>\$2,772</u>
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NOTE 6 – PENSION PLAN

The Township provides pension benefits through a defined contribution plan covering to all Board members, which is administered through Travelers Insurance Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes twelve percent (12%) of employees' gross earnings. In accordance with these requirements, the Township contributed \$2,490 for the year ended March 31, 2005; fees and other charges were \$125.

NOTE 7 – RISK MANAGEMENT

The Township participates in the Michigan Municipal Liability and Property Pool for general liability, property loss, professional, public official errors and omissions liabilities. This plan is a self-insurance risk association operating within the State of Michigan pursuant to Act 138, Michigan Public Acts of 1982. This plan, through its risk manager, secures insurance policies or reinsurance treaties to cover the risks undertaken on behalf of the Township. The Township pays an annual premium to the Michigan Municipal Liability and Property Pool for its general insurance coverage and has no additional liability beyond the premiums made to this plan and the \$1,000 deductible amounts.

The plan has a maximum liability for property of \$221,108; general liability of \$1,000,000; public officials' wrongful acts liability of \$1,000,000; automobile liability of \$1,000,000; crime liability of \$10,000; and \$5,000 - \$25,000 bonding for public officials. The policy cost for the fiscal year ended March 31, 2005 was \$4,802.

Additionally, the Township has purchased commercial insurance for workman's compensation benefits.

Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

ALLIS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

**GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended March 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Neg)</u>
<u>REVENUES</u>				
State shared revenues				
State land tax and commercial forest	\$ 17,900	\$ 17,900	\$ 17,935	\$ 35
State shared revenues	<u>51,613</u>	<u>51,613</u>	<u>75,576</u>	<u>23,963</u>
Total state shared revenues	<u>69,513</u>	<u>69,513</u>	<u>93,511</u>	<u>23,998</u>
Charges for Services - Sales				
Cemetery lots and rent	1,100	1,100	9,644	8,544
Sanitation - landfill fees	<u>-</u>	<u>-</u>	<u>24,550</u>	<u>24,550</u>
Total charges for services-sales	<u>1,100</u>	<u>1,100</u>	<u>34,194</u>	<u>33,094</u>
Interest income	<u>-</u>	<u>-</u>	<u>1,011</u>	<u>1,011</u>
Other income	<u>-</u>	<u>-</u>	<u>4,188</u>	<u>4,188</u>
TOTAL REVENUES	<u>70,613</u>	<u>70,613</u>	<u>132,904</u>	<u>62,291</u>

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ALLIS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

**GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended March 31, 2005**

(Continued from previous page)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Neg)</u>
<u>EXPENDITURES</u>				
Legislative				
Township Board				
Salaries	\$ 3,500	\$ 6,500	\$ 4,253	\$ 2,247
Board of review	2,000	1,735	1,978	(243)
Fringe benefits	4,400	6,000	3,398	2,602
Insurance	6,000	4,000	4,802	(802)
Dues and subscriptions	-	975	1,139	(164)
Printing and publishing	-	325	232	93
Zoning	6,000	1,500	3,320	(1,820)
Transportation	-	-	109	(109)
Professional fees	2,000	-	259	(259)
Capital outlay	<u>-</u>	<u>26,000</u>	<u>6,570</u>	<u>19,430</u>
Total Legislative	<u>23,900</u>	<u>47,035</u>	<u>26,060</u>	<u>20,975</u>
General Government				
Supervisor				
Salaries	5,500	4,200	5,126	(926)
Transportation	<u>-</u>	<u>100</u>	<u>152</u>	<u>(52)</u>
Total Supervisor	<u>5,500</u>	<u>4,300</u>	<u>5,278</u>	<u>(978)</u>
Elections				
Salaries	-	2,000	1,450	550
Transportation	-	-	220	(220)
Meals	<u>-</u>	<u>-</u>	<u>99</u>	<u>(99)</u>
Total Elections	<u>-</u>	<u>2,000</u>	<u>1,769</u>	<u>231</u>

(Continued on next page)

ALLIS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

**GENERAL FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended March 31, 2005**

(Continued from previous page)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/(Neg)</u>
General Government (Continued)				
Assessor				
Contracted services	7,500	6,000	6,570	(570)
Office supplies	-	615	667	(52)
Total Assessor	<u>7,500</u>	<u>6,615</u>	<u>7,237</u>	<u>(622)</u>
Clerk				
Salaries	6,500	5,700	5,864	(164)
Office supplies	-	200	184	16
Transportation	-	-	93	(93)
Total Clerk	<u>6,500</u>	<u>5,900</u>	<u>6,141</u>	<u>(241)</u>
Treasurer				
Salaries	10,000	10,000	6,700	3,300
Office supplies	-	-	2,895	(2,895)
Transportation	-	-	48	(48)
Total Treasurer	<u>10,000</u>	<u>10,000</u>	<u>9,643</u>	<u>357</u>
Cemetery				
Contracted services	10,000	7,200	3,025	4,175
Supplies	-	140	140	-
Repairs and maintenance	-	550	613	(63)
Total Cemetery	<u>10,000</u>	<u>7,890</u>	<u>3,778</u>	<u>4,112</u>
Township Hall				
Supplies	-	2,000	1,450	550
Utilities	-	1,045	1,800	(755)
Telephone	-	-	411	(411)
Repairs and maintenance	25,000	3,925	10,891	(6,966)
Other	-	-	963	(963)
Total Township Hall	<u>25,000</u>	<u>6,970</u>	<u>15,515</u>	<u>(8,545)</u>
Total General Government	<u>64,500</u>	<u>43,675</u>	<u>49,361</u>	<u>(5,686)</u>

(Continued on next page)

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL For the Fiscal Year Ended March 31, 2005

(Continued from previous page)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget <u>Positive/(Neg)</u>
Public Safety				
Fire Department	16,000	18,406	15,552	2,854
Ambulance	<u>12,000</u>	<u>10,510</u>	<u>11,640</u>	<u>(1,130)</u>
Total Public Safety	<u>28,000</u>	<u>28,916</u>	<u>27,192</u>	<u>1,724</u>
Public Works	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>116,400</u>	<u>119,626</u>	<u>102,613</u>	<u>17,013</u>
Revenues Over (Under) Expenditures	(45,787)	(49,013)	30,291	45,278
Revenues and Other Sources Over (Under) Expenditures and Other Sources	(45,787)	(49,013)	30,291	45,278
Fund Balances, Beginning of Year	<u>269,556</u>	<u>269,556</u>	<u>269,556</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 223,769</u>	<u>\$ 220,543</u>	<u>\$ 299,847</u>	<u>\$ 45,278</u>

ALLIS TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
TRUST AND AGENCY FUND – TAX COLLECTION FUND
For the Fiscal Year Ended March 31, 2005**

	Balance 4/1/2004	Additions	Deletions	Balance 3/31/2005
ASSETS				
Cash	<u>\$ 89</u>	<u>\$508,105</u>	<u>\$508,105</u>	<u>\$ 89</u>
LIABILITIES				
Due to others	\$ 89	\$ -	\$ -	\$ 89
Due to state	-	130,719	130,719	-
Due to county	-	140,465	140,465	-
Due to schools	<u>-</u>	<u>236,921</u>	<u>236,921</u>	<u>-</u>
 Total Liabilities	<u>\$ 89</u>	<u>\$508,105</u>	<u>\$508,105</u>	<u>\$ 89</u>

August 2, 2005

Honorable Township Board
Allis Township
Presque Isle County, Michigan

I wish to express my appreciation for the fine cooperation extended to me during the audit of your Township's Financial Statements.

As required, I have submitted online to the State Treasurer's office a PDL formatted copy of the audited Financial Statements, which included this Letter of Comments and Recommendations as well as the Auditing Procedures Report. The remaining copies of the audited Financial Statements are herewith submitted. At one of your next regular Township Board Meetings the audited Financial Statements should be formally accepted and the copy marked for this purpose made a part of your Minute Book. I will plan to attend that meeting and be prepared to make a brief presentation on the audit.

Prior to this audit I obtained written permission from Township officials to disclose immediately any findings of suspected fraud and/or embezzlement directly to the Deputy State Treasurer. During the course of the audit I noted no instances of suspected fraud and/or embezzlement.

The following comments and recommendations are submitted in the interest of improved accounting procedures, closer compliance with the various state and federal regulations and requirements.

Comments and Recommendations Pertaining to the 2004-05 Audit Only

1. Public Act 621

The City is in technical violation of one part of the Uniform Accounting and Budgeting Act as disclosed in the Notes to the Financial Statements. However, in all cases, sufficient fund balances or increased revenues made the effect immaterial.

The over expenditures were the result of not making sufficient budget adjustments for the final month of operation, improper expense classification or effects of year-end audit adjustment.

Recommendation

In all cases the budget has fulfilled its operational purpose as management has analyzed the various computer reports and any operating deficits

Allis Township

Letter of Comments and Recommendations

(Continued)

resolved. However, to comply fully with the technical aspects of P.A. 621, it is suggested that the final review of the budget status report, currently being done in preparation for the next fiscal year's budget, result in a final amendment of the existing budget. This adjustment should anticipate accrual basis adjustments.

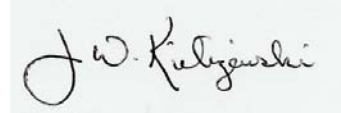
2. **Acceptance by City Council of Audited Financial Statements**

It is recommended that these audited Financial Statements and Recommendations be accepted by the Township Board by a motion similar to the following:

“Moved by _____ and seconded by _____, that the Township 2004-05 audited Financial Statements be accepted as presented and that, insofar as possible, the recommendations made by our auditor in his Letter of Comments and Recommendations be followed.”

As stated, I will plan to attend one of your next regular Township Board Meetings. Please let me know of your preferred date as soon as possible.

Sincerely,

A handwritten signature in black ink, appearing to read "J.W. Kieliszewski", is written over a light blue rectangular background.

J.W. Kieliszewski